



County of Monterey

Item No.2

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 24-525

July 26, 2024

Introduced: 7/23/2024

Current Status: Agenda Ready

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Matter Type: General Agenda Item

- a. Receive a presentation from Sustainability Program staff on energy efficiency projects using Pacific Gas and Electric's On-Bill Financing Program at Natividad Medical Center, Lake Nacimiento, Lake San Antonio, San Lorenzo Park, and Royal Oaks Park; and,
- b. Recommend that the Board of Supervisors approve and authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to participate in a Pacific Gas and Electric Company On-Bill Financing program offering 0% loans for the period of time identified in attachment On Bill Financing Project Tables for qualified energy efficiency projects at Natividad Medical Center, Lake Nacimiento, Lake San Antonio, San Lorenzo Park, and Royal Oaks Park; and,
- c. Direct staff to move this item to the Budget Committee for a recommendation on the necessary appropriations and budget process to implement these projects; and,
- d. Provide further feedback and direction to staff as needed.

RECOMMENDATION:

It is recommended that the Alternative Energy and Environment Committee:

- a. Receive a presentation from Sustainability Program staff on energy efficiency projects using Pacific Gas and Electric's On-Bill Financing Program at Natividad Medical Center, Lake Nacimiento, Lake San Antonio, San Lorenzo Park, and Royal Oaks Park; and,
- b. Recommend that the Board of Supervisors approve and authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to participate in a Pacific Gas and Electric Company On-Bill Financing program offering 0% loans for the period of time identified in attachment On Bill Financing Project Tables for qualified energy efficiency projects at Natividad Medical Center, Lake Nacimiento, Lake San Antonio, San Lorenzo Park, and Royal Oaks Park; and,
- c. Direct staff to move this item to the Budget Committee for a recommendation on the necessary appropriations and budget process to implement these projects; and,
- d. Provide further feedback and direction to staff as needed.

SUMMARY:

Staff recommend the County move forward with energy efficiency retrofit projects at Natividad Medical Center, Lake Nacimiento, Lake San Antonio, San Lorenzo Park, and Royal Oaks Park offered by Pacific Gas and Electric Company's ("PG&E") On-Bill Financing (OBF) program, which is a 0% interest loan program available to local governments. The proposed energy efficiency projects focus primarily on upgrading lighting fixtures to fit LED bulbs and adding some variable fan drives. The project is designed to be cost-neutral, (not counting the administrative costs to establish and manage the loans), to the County because the PG&E will front the cost of the retrofit improvements and the

County will pay the loan on the monthly energy bills from the monthly energy savings, (assuming savings are generated as projected). Based on estimates prepared by EcoGreen Solutions, (the contractor who will perform the improvements for the County), over a period of 10 years these upgrades are estimated to save the County \$2.5 million, but the County must still set aside and budget the full amount of the cost of the improvements in year one of the program and the remaining unpaid amount each fiscal year thereafter. This is a legal requirement that funds must be set aside in an amount equal to the amortization schedule of the OBF loans pursuant to the California Constitution due to the acceleration clause of section 12 of the OBF Agreement documents. In the unlikely event that the County were to close any of these PG&E accounts, these loan balances would be due in full, and must be appropriated. Due to PG&E restructuring the On Bill Finance Program in 2024, time is of the essence to contract this project.

DISCUSSION:

Under the direction of the California Public Utility Commission (CPUC), PG&E developed a financing program to provide incentives for jurisdictions to undertake energy efficiency projects. This financing program provides 0% loan financing that is to be paid back through the savings that are realized from the efficiency projects. The debt service will appear on the monthly PG&E bills at a rate that is estimated to be equal to the new monthly energy savings, so operational costs do not increase for the facility. This is shown in the "On-Bill Financing Agreement" documents for each facility attached to this report. While shortfalls in savings are unlikely because LED bulbs are vastly more energy efficient than incandescent or fluorescent bulbs, any discrepancy will be paid as a regular electricity charge on the monthly utility bill. All savings estimates are done through the standardized process set by the California Public Utilities Commission wherein PG&E may only approve these projects after an independent third party has reviewed them. Furthermore, staff had ARC Alternatives conduct an analysis of the Natividad Medical Center efficiency project because of its significant size and the savings estimates were found to be reasonable. This memo is attached to this staff report.

Staff from the Sustainability Program, Parks, and Natividad Medical Center discussed potential cost-saving project opportunities on the County's energy expenditures with EcoGreen Solutions in March 2022. All audit costs are paid for by PG&E, as such, the County currently has no financial obligation to EcoGreen Solutions or any obligation to complete this work until approved by the Board of Supervisors. In accordance with the Board's goal to reduce energy consumption and costs, Sustainability Program staff partnered with EcoGreen Solutions to arrange site audits of the facilities. EcoGreen Solutions is one of the CPUC approved contractors for this PG&E program and the sole provider of this service for the jurisdiction that includes the County.

This program is paid for out of the energy savings on the regular utility bill through PG&E's On Bill Financing program. Therefore, these facilities will receive needed energy upgrades and equipment at no direct cost to the County. It should be noted that the monthly loan repayment amount will not be affected by any future rate increases, and so the kwh saved by this project are frozen at the rate the County currently pays. On-Bill Finance repayments are based on current rates, so the annual electricity savings column of the table below may be used by the committee to provide a reasonable estimate of the savings generated by the project. Any increases in PG&E electricity rates above present day would therefore only provide a financial benefit to the County. These projects use a PG&E escalation rate of 6% each year as is standard with EcoGreen's practice and found to be

reasonable by staff. While PG&E increases to revenue requirements affect electricity rate prices differently depending on the rate, one study found that between 2014 and 2024 commercial electricity rates have escalated at a compound annual growth rate of 5.2% or a cumulative 65.8% price increase, with 75% of this increase occurring over the last three years (Gerza, 2024). With this context in mind, the County can be confident that electricity prices will continue to rise and reducing energy consumption where possible reduces the financial risk of future rate increases.

The attached “EcoGreen Proposal” documents for each facility show the cumulative costs and savings benefits of the projects. Key metrics from each of the ‘Proposal’ and ‘On-Bill Financing’ documents is summarized in the attachment, On Bill Financing Project Tables.

The County is not obligated to pay for any upgrades outside of the PG&E program. It should be noted that the “Lake Nacimiento On-Bill Financing Agreement” attached to this report includes a customer buydown payment; this cost will be paid by EcoGreen Solutions to honor their no cost approach to the County; this explains why the project cost and loan amount for Lake Nacimiento are different. As seen in the table above, the monthly savings and loan payment are designed to closely match; therefore, the real value of project accrues to the County after the simple payback or loan term expires and the County recoups all savings from the projects. The useful life of most LEDs is 15 years or more. Given the high value and quick repayment period of the Natividad Medical Center project, the economics of the entire package are very favorable to the County.

This project will reduce energy usage by an estimated 1,097,012 kWh annually. Energy savings are summarized in the attachment On Bill Financing Projects Tables. Significant energy savings projects like this reduce the strain on the electricity grid, making the entire system more resilient. Additionally, this project helps the County transition away from fluorescent bulbs that are now prohibited under AB 2208, the text of this bill is attached to this report.

It should also be noted that San Lorenzo and Royal Oaks Parks were combined into one proposal by EcoGreen Solutions because of their small scope. Toro Park was also considered for an efficiency project; however, EcoGreen Solutions determined that the park was already outfitted with LEDs and variable fan drives so there was not an opportunity for additional efficiency at this level. This project has been delayed in advancing for approval due to negotiations at Laguna Seca, the Pajaro floods, and staffing constraints.

OTHER AGENCY INVOLVEMENT:

Public Works, Facilities, and Parks and Natividad Medical Center Staff are in support of this project. County Counsel approves as to form. This item will proceed to the Budget Committee on July 31st, 2024 before proceeding to the Board of Supervisors for approval.

FINANCING:

This project has no direct cost but does have budgetary impacts. The On Bill Financing program provides 0% loan financing that is anticipated to be paid back through the savings that is realized from the efficiency projects. The debt service will appear on the monthly PG&E bills at a rate that is estimated to be equal to the new monthly energy savings, so operational costs do not increase for the facility. The 0% financing offers a maximum ten year pay-back period has been utilized successfully by many jurisdictions.

Pursuant to the Constitution of the State of California, the County must budget the total outstanding on-bill finance liability for the projects each year until the end of the loan term. This is a legal requirement that funds must be set aside in an amount equal to the amortization schedule of the OBF loans pursuant to the California Constitution due to the acceleration clause of section 12 of the OBF Agreement documents. In the unlikely event that the County were to close any of these PG&E accounts, these loan balances would be due in full, and must be appropriated.

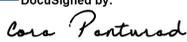
BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This project reduces strain on the electricity grid by removing electricity demand. This improves electric reliability and safety for the community.

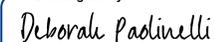
Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Cora Panturad, Sustainability Program Manager (Interim), x5338

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Approved by: Deborah Paolinelli, Assistant County Administrative Officer, x5309

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Gerza, A., Krivchenkova, Y., Webster, R., & Paulk, L. (2024). Electric Bill Inflation in California. Energy Toolbase Software Inc.

<https://www.energytoolbase.com/resources/whitepapers/electric-bill-inflation-in-california/>

Attachments:

- On Bill Financing Project Tables
- AB 2208 Text
- Arc Alternatives Third Party Review Memo OBF Natividad Medical Center
- EcoGreen Proposal Natividad Medical Center
- EcoGreen Proposal Lake San Antonio
- EcoGreen Proposal Lake Nacimiento
- EcoGreen Proposal San Lorenzo and Royal Oaks
- EcoGreen Proposal Inventory Natividad Medical Center
- EcoGreen Proposal Inventory Lake San Antonio
- EcoGreen Proposal Inventory Lake Nacimiento
- EcoGreen Proposal Inventory San Lorenzo and Royal Oaks
- EcoGreen Statement of Work Natividad Medical Center
- EcoGreen Statement of Work Lake San Antonio
- EcoGreen Statement of Work Lake Nacimiento
- EcoGreen Statement of Work San Lorenzo and Royal Oaks
- PG&E On-Bill Financing Agreement Natividad Medical Center

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PG&E On-Bill Financing Agreement Lake San Antonio
PG&E On-Bill Financing Agreement Lake Nacimiento
PG&E On-Bill Financing Agreement San Lorenzo and Royal Oaks
EcoGreen Solutions Standard Agreement